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Merrill Kelley

AN ALTERNATIVE AMERICAN WHEAT POLICY:  
A DISCUSSION

his  
O. V. Wells, 1903

Program Planning Division,  
U. S. Agricultural Adjustment Administration

Since being asked to discuss Dr. Bennett's paper I have watched the shifting or development of his title with considerable interest. Knowing Dr. Bennett's long association with the Food Research Institute, one might argue that the shift represents the triumph of environment over an arbitrary assignment. But I think it can also be interpreted as another illustration of the fact that most of us are not planners in the "grand manner", but rather that we tend to discuss and deal with those segments or specific problems with which we are best acquainted.

But despite the fact that the discussion is in terms of a wheat program rather than of "changes necessary in our economy in order to promote the general welfare", it must be noted that Dr. Bennett has not dodged his subject. Instead his suggested program for wheat is set forth as an illustration of the manner in which he would apply a general policy in the development of a specific program. And in discussing his paper, I want first to give some attention to the suggested wheat program; and second to consider the general philosophy or attitude which pervades the entire paper and which underlies his suggestions with respect to wheat.

I

The suggested program is extremely simple, since it involves nothing more than the maintenance of a guaranteed minimum per-bushel return or price for commercial wheat. In fact, one of the stronger arguments for the program is its simplicity as compared with the complexity of our current wheat program.

Although such a scheme might be administered more easily and at a somewhat lower cost than the current program, I question whether the advantages would be as great as some people might expect. To begin with, it would be necessary to determine each wheat producer's actual sales as well as the amount which is normally used or should be retained for seed. In my opinion at least, this would be about as difficult to determine as it is to check acreage compliance under the present program. It is also suggested that the minimum return ought not to be a horizontal guarantee, but rather should be set up in terms of a schedule of minimum returns based on average or normal geographic differences in farm prices for sound millable wheat. Such a schedule could be determined, but it would not contribute to the simplicity of the scheme, nor would it be too easy a job. And, as Dr. Bennett himself realizes, the questions as to the level at which prices are fixed or guaranteed and as to how the scheme should be financed would be the subjects of continuous argument.

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In addition, Dr. Bennett would continue the current crop insurance program, and also suggests that there would be no good reason for discontinuing the current land-purchase program, evidently on the assumption that the purchase of submarginal wheat land is desirable from the standpoint of long-time adjustment. But the continuation of crop insurance for wheat would mean that normal yields would have to be established for all farms participating in the program, and that crop acreages would have to be checked in about the same manner as under the current program. We are all agreed that the land-purchase program should be continued, but it should be noted that it is one of the more complicated of the programs now being administered by the Department. The location of the purchase area is often a difficult problem; the process of actually acquiring title to the land is slow and involves a whole series of minor legal difficulties; and the relocation or resettlement of the families who are to be moved from the submarginal area offers one of the most difficult problems in the agricultural field. Finally, the rehabilitation and continuing management of the area purchased offers a whole series of problems, some of which are both important and difficult. Strangely enough, the land-purchase program, which can usually only mean complete governmental control of the areas involved, is the one part of the current agricultural program which is generally accepted and most often praised by those economists, of whom I am inclined to think Dr. Bennett is one, who are most opposed to and most concerned about governmental interference or control.

The current loan programs for corn, cotton and wheat are of course expressions of essentially the same idea as the guaranteed price scheme outlined by Dr. Bennett, except that they operate through a different administrative mechanism, and that they involve the Government taking over the commodity in cases where prices do not improve enough to make it profitable for the farmers to reclaim their corn, cotton or wheat. But again I am not at all certain that Dr. Bennett's scheme in actual operation would obviate the government control of surpluses in case such surplus continued to exist. That is, if the acreage of wheat continued at anywhere near its current level with average or better than average yields and stocks continued to increase, I think it is almost certain that the Government would be asked to help dispose of such surplus stocks or to ease the acreage adjustment burden, regardless of the scheme which might be in operation. Or, stated another way, economic analyses and agricultural outlook statements are not so altered as to justify or support the programs of the Agricultural Adjustment Administration. In fact, the exact reverse is a far better statement. The programs of the Agricultural Adjustment Administration are continually being altered to meet the exigencies or the problems raised by the current agricultural situation.

## II

As I noted at the outset, Dr. Bennett's paper is actually concerned only incidentally with the development of a wheat program. In fact, he himself indicates that he cannot "wholeheartedly indorse" his own scheme; that it is advanced in part because of a statement I once made and in part because he is convinced that some form of governmental interference is inevitable; and that he believes the form which he has suggested would be less destructive and more nearly in the interest of the general welfare than are most of the other schemes which are currently in operation or proposed.

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With respect to the critics who are usually able to "maneuver from position to position without ever going on record", it might be noted that I also said such critics performed a very useful function and were to be commended in that they often forced administrators and others to a more careful consideration of both their aims and administrative methods than can otherwise be expected. I can see no reason why an economist should object to being labelled as a critic, and my enjoyment of such a meeting as this would certainly be diminished if we were all in perfect accord.

But in answer to the main argument, I should like to point out that Dr. Bennett, although he is opposed to collective direction, realizes that our economic system "has to be fenced in by a definite and moderately stable set of 'rules of the game'," and that he would consider it "a gross insult of such an economist as Marshall to say that he ever did assume pure and undiluted competition."

Actually, this means that such disagreement as exists between Dr. Bennett and myself is not really a matter of principle, but rather a question of preference with respect to what kind of "rules of the game" are most needed. That is, Dr. Bennett is apparently willing to admit, as are almost all other economists, that we do not live in a world of pure theoretical competition, that there are places where we must have some forms of regulation or government ownership, and that there may be times and places where it is desirable to equalize the competitive powers of the several groups in our economic system.

I have no argument to raise with that general body of economic theory which we usually designate as classical or neo-classical economics, and which is perhaps best set forth in Marshall. It is the most useful and consistent body of theory and analysis with which I am acquainted. My argument is chiefly with those who read into it a general justification of the existing economic order, or who seem to believe that classical economics is essentially a moral code rather than a set of principles which can be used to analyze results to be expected from the adoption of certain measures or which can be used to evaluate economic forces or influences which must be overcome if certain desired ends are to be reached.

In fact, it has always been a surprise to me that most of those who profess to follow the classical tradition and who are so strongly opposed to the use of the centralizing power of the government by farmers in order to obtain effective cooperation, are not the strongest advocates of this movement to strengthen the bargaining power of the farmer group. After all, one of the first assumptions of the doctrine of free competition is that the several parties have equal bargaining power, or at least approximately equal competitive strength. If this equality fails to exist, it seems to me that most economists should be strongly in favor of government action to the extent necessary to restore it.

That is, most of us have been taught economics and have thought in terms of competition between individuals, but I can see no reason why the greater part of the classical doctrine cannot be applied equally well to competition between groups, assuming such groups have equal competitive strength. As a result, it seems that one reasonable solution to our





current problems would be the use of the power of the Government in order to strengthen and equalize bargaining power of the industries or several economic groups within our economy, and that once these powers are equalized, the bargaining process could operate as easily and in as beneficent a manner as it is assumed to operate in the field of individual or "atomistic" competition.

But this would require that we sanction pressure groups, labor organizations, and the use of the Government in behalf of weaker groups such as migrant laborers, slum dwellers, and the great bulk of our farm population, and I well understand that very few of my friends who class themselves as classical economists would actually agree with such a solution. They would, I am sure, argue that organization and governmental intervention can only operate to encourage inefficiency and would fail to eliminate the unfit in that perfectly ruthless and merciless manner which they feel is so cleansing and beneficial.

But another of the great central assumptions of classical economics is that the actual wreckage occasioned by competition and the elimination of the unfit will at all times be small or fractional. That is, it is perfectly reasonable and consistent to argue that inefficient workers, inefficient farmers, and inefficient businessmen should be broke and be reduced to an inferior social and economic status so long as the number who are actually subjected to this process is so small as to be readily absorbed in the social stream. But when the stresses and strains in our social and economic structure are so severe and so persistent as to reduce income and eliminate workmen, farmers, and small businessmen by the millions rather than by the hundreds or thousands, without offering any alternative opportunities or fields of employment, this assumption is violated; and I think that any reasonable economist can only agree that some form of government action is not only inevitable but also to be desired.

In conclusion, then, I want to say first of all that I have found Dr. Bennett's paper extremely interesting and that it contains much with which I am in complete agreement. But we do live in a planned economy, whether we like it or not. In my opinion at least, the choice is not between free enterprise and bureaucratic control, nor between dismal collapse and continuing prosperity, nor between free competition and dictatorship. Instead, I suspect that we will continue to follow some reasonable middle course, that we will continue to compromise the several interests of the many groups which make up our social and economic structure, and that many of the things which we now argue about most violently will soon be accepted as a matter of fact. The argument as to whether agriculture is entitled to or is going to receive governmental aid has in large part been settled, and I think Dr. Bennett is to be complimented on the fact that he has devoted a considerable part of his attention to the realistic argument as to what form that aid should take, for this is a field in which we need all the help that can be obtained.

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